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C O N F I D E N T I A L MUSCAT 000903

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NEA/ARP PLEASE PASS TO USTR FOR JASON BUNTIN

E.O. 12958: DECL: 2019/09/13  
TAGS: [ETRD](#) [ECIN](#) [EINV](#) [PREL](#) [MU](#)  
SUBJECT: DIFFERENCES IN FTA INTERPRETATION OVERSHADOW SUCCESSES IN  
ENFORCEMENT

REF: A. MUSCAT 84; B. MUSCAT 597; C. MUSCAT 709

CLASSIFIED BY: L. Victor Hurtado, CdA, Department of State, Embassy  
Muscat; REASON: 1.4(B), (D)

[¶1.](#) (C) SUMMARY. The Ministry of Commerce and Industry (MOCI) does not appear to share the U.S. interpretation of qualification for national treatment by U.S. companies and its interpretation of transshipment treatment under the FTA. It is aware of the U.S. position on transshipments, but the MOCI seems internally confused. Regarding enforcement of FTA obligations overall the MOCI is reactive. Once aware of issues, the MOCI will redress most difficulties in a manner consistent with FTA obligations. One such difficulty, direct registration of U.S. firms in Oman, was successfully resolved, allowing for the direct registration of several U.S. firms. Separately, the MOCI is disappointed by the lack of a significant increase by U.S. investors in Oman post-FTA implementation but understands this could be the result of global economic conditions. END SUMMARY.

[¶2.](#) (C) TRANSHIPMENT. Khalid Al-Shuaibi, Director General of Organizations and Commercial Relations at the MOCI, discussed FTA issues with EconOff on September 2. Al-Shuaibi emphasized the need for containers that are exported from the U.S. via Rotterdam or Jebel Ali remain sealed before coming into Oman. Al-Shuaibi also indicated that exports would be subject to tariff if they enter by land after unloading at Jebel Ali, irrespective of whether or not they remain sealed. The MOCI does not appear to share the U.S. interpretation on this issue. Differences in interpretation first came to the U.S. and the MOCI's attention in May and have not been resolved. Embassy is not aware of any recent difficulties experienced by U.S. firms regarding transshipment, however. Notably, Al-Shuaibi's comments run counter to those of the Minister of Commerce and Industry, Maqbul bin Ali Sultan. In July Sultan assured ChrgC) and P/E Chief that transshipment issues relating to goods coming in from UAE would be resolved in a manner consistent with the U.S. interpretation of FTA transshipment treatment (See Ref C).

[¶3.](#) (C) Al-Shuaibi asked EconOff if the Embassy could promote direct shipment from U.S. to Omani ports. EconOff informed Al-Shuaibi that the USG does not promote a particular port or method of shipment. [NOTE: It is possible that transshipment "difficulties" are a result of the effort to promote Oman as an entrepot for exports to the Gulf. END NOTE].

[¶4.](#) (C) NATIONAL TREATMENT. Al-Shuaibi informed EconOff that in order to qualify for national treatment under the FTA, U.S. companies had to have 100% U.S. ownership. Al-Shuaibi elaborated that if a foreign person, that is a non-U.S. citizen, owned even 1%, the company would not qualify for national treatment. Al-Shuaibi's interpretation does not seem to accord with that of

the U.S.

15. (C) INITIAL DISAPPOINTMENT. Al-Shuaibi said the MOCI had expected more interest from U.S. businesses after FTA implementation and is disappointed that more interest has not been shown. Al-Shuaibi acknowledged that global economic conditions may be influencing the initial impact of the FTA. Al-Shuaibi enthusiastically inquired about more U.S. sponsored FTA training and a potential match-making seminar to link U.S. and Omani businesses. The USTR and State had provided for FTA training in the past. Al-Shuaibi looked to the U.S. to provide future FTA training and did not indicate that any recent similar GoO-sponsored training had taken place, or were planned for the future. EconOff is aware of only one GoO sponsored FTA information session which was held on January 8 and was offered to a limited number of businesspeople (See Ref A).

16. (SBU) Al-Shuaibi told EconOff that several U.S. companies had registered directly with MOCI. At first registration clerks had refused to allow companies to register, however, once aware of the refusal, MOCI officials addressed the problem with the clerks. There have been no further reports of difficulties in registration. Emmee Haun, President of the Muscat American Business Council, similarly reported initial difficulties in registration, but that such difficulties had ceased.

17. (C) EconOff informed MOCI officials that their website was unavailable, and most likely had been for two months. MOCI officials seemed unaware of the problem and unaware that their website is responsible for publishing FTA requirements and related information. Post will follow up.

18. (SBU) Dr. Said Amer Al-Riyami, Director General of Organizations and Commercial Relations at MOCI, inquired of EconOff as to the status of U.S. approval of Oman's Arabic translation of the FTA. Mr. Al-Riyami stated that he planned on posting the Arabic version on the MOCI website and printing booklets for distribution.

19. (C) COMMENT. It seems that the MOCI interpretation of the transshipment issue may stem from wider aspirations of supplanting the UAE as entrepot to the Gulf. It would be prudent to directly address the transshipment and national treatment interpretation issue shortly after Ramadan, perhaps in conjunction with USTR's visit to Oman about labor commitments under the FTA. Regarding Omani disappointment in the lack of U.S. business interest, a trade mission was originally discussed shortly after FTA implementation. The mission was postponed, however, as a result of the global economic crisis. If economic conditions continue to improve, a U.S.-sponsored trade mission will need to be reconsidered for the coming year. END COMMENT.  
Hurtado